

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1424 – SB 1628

February 16, 2014

**SUMMARY OF ORIGINAL BILL:** Makes multiple revisions to the licensing process for industrial loan and thrift entities, residential lending entities, title pledge entities, deferred presentment entities, check cashing entities, and premium finance companies. Requires such entities to pay an annual supervision fee instead of application, registration, license, renewal, examination, and inspection fees, as applicable, to gain and maintain a license. Changes the varying expiration dates for licenses or registration certificates granted to these entities and the dates by which renewal applications must be sent to the Department of Financial Institutions. Authorizes the Commissioner of the Department to establish a biennial registration arrangement, if not authorized already, but prohibits the supervision fee to be payable for more than one year at a time. Requires an unregistered entity subject to the certificate of registration or licensing requirements that is examined or investigated, to pay the reasonable and actual expenses of the investigation or examination. Specifies requirements for license or registration renewals submitted within specific dates for certain affected entities.

Sets out the fee structure for the annual supervision fee assessed against entities regulated by the Compliance Division, as follows:

- 1) Requires the Commissioner to determine an annual budget for the Department and the amount of the budget attributable to the regulation and examination of the entities regulated by the Compliance Division;
- 2) Exempts mortgage loan originators from the annual supervision fee and establishes that they will continue to pay the licensing, renewal and any other applicable fees. Requires the total amount of the annual renewal fee for mortgage loan originators, based on the number of entities licensed at the end of the previous fiscal year, to be deducted from the Compliance Division's budget;
- 3) Requires the Commissioner to periodically determine the per diem costs of conducting a routine examination of entities regulated and supervised by the Compliance Division;
- 4) Requires the remaining budget, after deductions specified under 2), to be assessed as a supervision fee among all licensed and registered locations based on the relative complexities of examining and regulating each industry;
- 5) Establishes that the supervision fee is nonrefundable and that the payment of such fee is a condition of licensure or registration renewal;

- 6) Establishes that the supervision fee includes annual licensing and registration fees and the costs for a routine examination or investigation of a licensee or registrant regulated by the Compliance Division;
- 7) Requires a licensee or registrant, in addition to the supervision fee, to pay the actual expenses incurred for out-of-state examinations and inspection of books, records, and papers maintained out-of-state;
- 8) Authorizes the Commissioner to impose an additional special assessment upon a licensee or registrant for the purpose of recovering costs in excess of those costs normally incurred for conducting a routine examination;
- 9) Requires a person who applies for a new license or registration to pay the same supervision fee for each licensed or registered location as a person holding the same license or registration type has paid as a supervision fee during that fiscal year, provided that, if the supervision fee has yet to be determined, the person will pay the fee required in the previous fiscal year;
- 10) Requires a person submitting an application to the Compliance Division for a new license or registration from July 1, 2015 through September 30, 2015, to pay a supervision fee of \$500; and
- 11) Requires all funds collected by the Compliance Division to be used for the administration of the Division.

#### FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – The fiscal impact of the proposed legislation is dependent on the amount of the Department’s budget attributable to the regulation and examination of the entities regulated by the Compliance Division and the number of licensees in each industry impacted by this legislation. Any such impact cannot be determined with reasonable certainty. However, based on information provided by the Department, it is estimated that any decrease in revenue in FY14-15 and FY16-17 and subsequent years will be not significant. There will be an indeterminable increase in revenue in FY15-16 due to several industries paying a combination of prorated license fees and partial-year actual and reasonable exam fees, per the current fee structure, as well as supervision fees per the new methodology outlined in this bill. According to the Department, if revenue is significantly higher than expenditures in FY15-16, the Department may seek to apply such surplus as a credit to the following years’ budget, so the regulated industries are made whole over time for any excess paid during the FY15-16 transition year.

## **IMPACT TO COMMERCE OF ORIGINAL BILL:**

Other Impact – The proposed legislation may result in an increase in expenditures for certain industries regulated by the Compliance Division, a decrease in expenditures for other regulated industries, and a not significant impact on expenditures for licensees holding multiple licenses across several regulated industries. Any such impact on individual industries cannot be quantified with reasonable certainty. However, it is estimated that any impact on commerce and jobs in Tennessee, across all impacted industries, will be not significant.

**SUMMARY OF AMENDMENT (012384):** Amendment 012384 makes several technical corrections without making any substantive changes.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- The fiscal impact of the proposed legislation is dependent upon the amount of the Department's budget attributable to the regulation and examination of the entities regulated by the Compliance Division and the number of licensees in each industry impacted by this legislation.
- The supervision fee will be determined annually based on the Compliance Division's budget at that time, and the number of licensees in each industry regulated and examined by the Division.
- In FY12-13, the Compliance Division collected \$4,800,900 in licensing and exam fee revenue from the industries that will be impacted by this legislation.
- There will be a two-year transitional period to implement the changes proposed under this bill due to the changes in the licensing years for four of the impacted industries.
- Based on information provided by the Department, it is estimated that any decrease in revenue in FY14-15 and FY16-17 and subsequent years, resulting from implementing such changes, will be not significant.
- Due to several industries paying a combination of prorated license fees and partial year actual and reasonable exam fees, per the current fee structure, as well as supervision fees per the new methodology outlined in this bill, it is estimated that there will be an increase in fee revenue to the state in FY15-16. However, any such increase cannot be quantified with reasonable certainty.
- According to the Department, if revenue is significantly higher than expenditures in FY15-16, the Department may seek to apply such surplus as a credit to the following year's budget, so the regulated industries are made whole over time for any excess amounts paid during the FY15-16 transition year.

- Any impact on the Department's expenditures is estimated to be not significant.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- According to the Department, this bill may result in an increase in expenditures for certain industries regulated by the Compliance Division, a decrease in expenditures for other industries regulated by the Division, and a leveling effect for licensees holding multiple licenses across several industries impacted by this bill.
- Any such change in expenditures will be dependent upon the supervision fee that will be established at the end of FY14-15, and that will be based on the number of licensees and the Division's budgeted, and cannot be determined with reasonable certainty.
- It is estimated that any impact on commerce and jobs in Tennessee, over time and across all impacted industries, will be not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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